

June 3, 2005

Mr. Brad Deutsch
Assistant General Counsel
Federal Election Commission
999 E Street NW
Washington, DC 20463

Re: Comments on Notice 2005-10: Internet Communication

Dear Mr. Deutsche:

These comments are submitted in response to the Commission's Notice of Proposal of Rulemaking 2005-10, published at 70 Fed. Reg. 16967 (April 4, 2005), seeking comment on proposed changes to Commission rules regarding the application of the campaign finance communications over the Internet.

As the founder of Blogads.com, the ad network that has served a majority of the advertisers seeking to appear on blogs in the last 18 months, I'm writing to offer some data and perspectives on the growing media role of bloggers.

I believe that logic and pragmatism suggest that bloggers, big and small, incorporated and moonlighting, deserve the FEC media exemption. American society needs to see healthy entrepreneurial bloggers flourish and evolve. Blogging is an important form of media that feeds public information appetites increasingly unmet by traditional corporate media.

First, some background on the advent of entrepreneurial blogging and my company's role in this revolution. Created in May of 2002, Blogads.com serves advertisers appearing on nearly 300 of America's best-known political news and opinion blogs. We represent blogs on all sides of the political aisle, ranging from giants like DailyKos (3 million impressions a week), Instapundit, Powerline, Atrios, Andrew Sullivan, LittleGreenFootballs, Talkingpointsmemo, Wonkette, AmericaBlog and PoliticalWire down to smaller but well-respected blogs like Billhobbs.com, Dynamist.com and Gadflyer.com (10,000 impressions a week.)¹ Blogads serves two-thirds of the political blogs that were most linked during the '04 election.² Blogads also serves ads on sites of several conventional publishers, including Reason Magazine and The Washington Monthly.

Whether big or small, these blogs function together as a bee-hive, moving information to and fro in small increments that, cumulatively, can have a giant effect. These blogs' audiences wield influence that sometimes rivals that of traditional corporate media, whether online or off. Though barely out of diapers as media players, bloggers compete successfully against centuries-old corporate models. On numerous occasions over the last three years independent bloggers have played a decisive role in uncovering and pursuing important news stories. The two best known examples of this are the bloggers' pivotal roles in toppling Trent Lott³ and Dan Rather.⁴

Blogads has served hundreds of political advertisers in the last 18 months. Blogad buyers during this period included the Dean, Kerry and Bush campaigns, the RNC and DNC, Progress for

¹ View lists of blogs selling ads and their prices at <http://www.blogads.com/order>




² http://politics.blogpulse.com/04_11_04/politics.html

³ http://www.ksg.harvard.edu/presspol/Research_Publications/Case_Studies/1731_0.pdf

⁴ http://www.pewinternet.org/ppt/BUZZ_BLOGS__BEYOND_Final05-16-05.pdf

America, People for the American Way, Club for Growth, Amnesty International, PETA, The New Republic, The Washington Post, numerous congressional and senatorial candidates and even campaigns for city office and county judges. (Corporate advertisers have included Levis, Audi, Time Warner, Random House, the History Channel and Turner Broadcasting.) Because bloggers are unencumbered by corporate media's overheads and can offer advertisers lower prices and tighter niches than traditional media, bloggers were able to attract advertisers like small advocacy groups, independent authors and t-shirt sellers who otherwise would have been unable to afford to advertise online. In short, a thriving and diverse informational market-place is emerging right before our eyes.

Even as the tide of p2p publishing rises, the flagships of traditional corporate media are stranded and taking on water. On the one side, newspapers have lost 14% of their readers in the last twenty years⁵ and 1.9% in the last six months alone.⁶ On the other, newspapers are losing entire categories of advertisers to online services like job-board Monster.com, auction service eBay, and text classifieds services ranging from Craigslist to Google Adwords.⁷ Though traditional media corporations hope to migrate their businesses online, operating margins are far thinner online than offline and traditional media's high overheads are bred into its DNA.

Medium	2003E Advertising Spending (\$B)	Households (MM)	Ad Spending / Household (\$)
Promotions	\$97	99	\$976
Newspapers	45	50	898
Classifieds	15	55	289
Direct Telephone	85	99	863
Direct Mail	48	99	483
Broadcast TV	43	99	429
Radio	20	60	328
Cable TV	16	70	226
Yellow Pages	14	99	146
Internet / Online	7 	60 	120 
Total	\$374	735	\$4,469
Average	42	82	497

(Source Mary Meeker, Morgan Stanley.⁸)

Every 1000 drop in newspaper circulation equals one job cut, according to a Wall Street rule of thumb. Will bloggers help to fill the news vacuum left as traditional media is unable to meet its payrolls? We can only hope. Eighteen months ago, no one was earning a living from blogging. Now, perhaps two dozen bloggers cover their living expenses from revenues gained by revenues from selling advertisements on their blogs, and at least 500 derive enough income to materially change their lives. I will wager that by 2008, we'll see 5000 -15,000 people earning significant

⁵ [http://online.wsj.com/public/article/0,,SB111499919608621875-](http://online.wsj.com/public/article/0,,SB111499919608621875-72vA7sUkzSQ76dPiTXytqgOMS5A_20050601,00.html?mod=tff_main_tff_top)

[72vA7sUkzSQ76dPiTXytqgOMS5A_20050601,00.html?mod=tff_main_tff_top](http://online.wsj.com/public/article/0,,SB111499919608621875-72vA7sUkzSQ76dPiTXytqgOMS5A_20050601,00.html?mod=tff_main_tff_top)

⁶ http://online.wsj.com/article/0,,SB111505806081322343,00.html?mod=home_whats_news_us

⁷ <http://www.adage.com/paypoints/buyArticle.cms?newsId=44826&auth=>

⁸ http://www.morganstanley.com/institutional/techresearch/pdfs/age_of_engagement.pdf

blogging income. To put that number in perspective, the United States currently has an estimated 54,000 full-time journalists working for daily newspapers, which represents a roughly 4% decline since 2001.⁹ At some point in the next twenty years as the high-overhead corporate publishing model implodes and autonomous online infopreneurs thrive, the two headcount trajectories will cross.

With all this in mind, what should the FEC do?

First, the FEC should expressly extend the media protections for news stories, commentary or editorial to Internet publishing activities. The events of the last year make clear that online news dissemination is as vibrant and vital a media as any offline publishing. Like cable, online media actors serve as “news producers and distributors” and deserve an exception. 61 FR 18,050 (Apr. 24, 1996)

Likewise, bloggers specifically clearly also serve as “news producers and distributors.” All bloggers should, like their corporate publishing peers, receive the benefit of the media exemption. Policing tens of thousands of bloggers will be impractical. Moreover, placing regulatory burdens on bloggers that are not placed on traditional media will unfairly burden these nascent infopreneurs.

The media exemption should be granted to bloggers regardless of whether they are big or small, incorporated or moonlighting. When all are performing the job of producing and distributing news, to draw lines among bloggers would be harmful. Why? To grant the media exemption only to incorporated bloggers would ignore the fact that many smaller bloggers derive significant income from blogging and, while mostly unincorporated, are thriving entrepreneurs with significant growth potential.

To only apply the media exemption to larger bloggers would retard important innovation and impede the development of smaller bloggers. A year ago, both AmericaBlog and Powerline were nowhere to be seen in the top 100 blogs, while today both are key players in their particular niches. And consider the case of TalkingPointsMemo.com and Atrios.Blogspot.com, which together played a key role in toppling Trent Lott in December, 2002. At that time, neither blog was incorporated. Atrios, aka Duncan Black, was still an anonymous blogger moonlighting from his job as an economist. Most importantly, neither blogs’ traffic then would have put it today’s list of the top 200 blogs by traffic.

The online ecosystem is evolving fast. Smaller bloggers are beginning to collaborate; in recent weeks, we’ve seen groups of bloggers form alliances, essentially mini advertising networks, focusing on everyone from food to music to baseball to New York City. In May, while bloggers on the left have created the Liberal Blog Advertising Network, bloggers on the right created The Vast Right-Wing Ad Network. Among larger blogs, DailyKos.com has hired a full-time programmer. TalkingPointsMemo.com has recruited a significant number of well-known thinkers to participate in a multi-person blog community that amounts to a mini-magazine. RawStory.com has added an additional editorial staffer. HuffingtonPost.com has created offices in Los Angeles and New York.

Slipping the noose of regulation around the neck of an infant media would harm not just individual bloggers but their audiences. Blog readers rely on blogs for an increasing share of their news. Blogads.com conducted a survey of 30,079 blog readers in March 2005. 75% of blog

⁹ <http://www.asne.org/index.cfm?id=5648>

readers said they read blogs for “news I can’t find elsewhere,” and 74% said they read blogs for “better perspective.” Asked to “rate how well the following media provide you with news and opinion,” 50% of blog readers responded that blogs are “extremely useful,” versus only 4% for TV and 9% for newspapers.¹⁰ (Far from being a lunatic fringe, blog readers’ incomes average nearly \$90,000/year.)

To conclude: though tiny compared to today’s corporate media behemoths, a large and growing army of bloggers serve “as news producers and distributors” in ways that make them functionally indistinguishable from traditional media. Bloggers both need and deserve the media exemption to FEC regulation. All bloggers, big or small or corporate or moonlighting, play a vital role in a fast-evolving ecosystem that is enriching America’s information diet even as corporate media stumbles. What does the future hold? Nobody knows. We can only hope that the FEC will do everything possible not to impede bloggers’ growth.

Best regards,

Henry

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¹⁰ http://www.blogads.com/survey/2005_blog_reader_survey.html